

<b>Description of Meeting:</b>	<b>NTTG Cost Allocation Committee</b>
<b>Meeting Date:</b>	<b>April 22, 2016</b>
<b>Meeting Notes Prepared By:</b>	<b>Amy Wachsnicht</b>
<b>Approved for Posting:</b>	<b>April 29, 2016</b>

## 1. Agenda:

- a. Establish Quorum Requirements & Agenda Review
- b. Approval of October 13, 2015 Joint Planning and Cost Allocation Committee Meeting Notes
- c. 2016-2017 Cost Allocation Schedule and Milestones
- d. 2014-2015 Cost Allocation Scenarios
- e. Initiate Discussion on the 2016-2017 Cost Allocation Scenarios
- f. Round Table/Other Business

## 2. Discussions & Decisions:

### **Decision: Approval of October 13, 2015 Joint Planning and Cost Allocation Committee Meeting Notes**

- With a motion by Amy Light and second by Larry Nordell, the October 13, 2015 Joint Planning and Cost Allocation Committee Meeting Notes were unanimously approved for posting.

### **Discussion: 2016-2017 Cost Allocation Schedule and Milestones**

- John Leland informed the Cost Allocation Committee that the language in the cost allocation section of the 2016-2017 Study Plan, was inserted from the prior cycle and is available for edits as the committee proceeds over the next few weeks.
- Amy Light indicated that she and John Leland met with other representatives of NTTG and the Planning Committee last week to lay out a framework for moving forward in the current planning cycle, as well as discuss lessons learned from the last cycle, changes to the Study Plan and potential future Attachment K changes.
  - In general, the group felt that the Order 1000 process is working well and suggested to proceed with much of the same process that was in the Study Plan and cost allocation process from the prior cycle.
- Under the Attachment K, the Cost Allocation Committee has the option to add additional metrics when looking at the projects selected into the plan by the Planning Committee. During the last cycle, the Cost Allocation Committee determined that matching the Planning Committee's metrics was the most beneficial and effective way to do cost allocation.
  - The suggestion for the current planning cycle was to continue with the allocation metrics that matched the Planning Committee's (e.g. capital cost, reserves and losses).
    - If there was any feedback from committee members about additional metrics, Amy Light indicated the Cost Allocation Committee would need to discuss those.
  - It was asked if the Planning Committee had decided on the scenarios being used for the current cycle.
    - Traditionally the Planning Committee selects a few stressed hours for analysis, however at this time the Planning Committee is working on the data bases and have not reviewed the 2026 data base study results to select the hours of interest.
    - John Leland indicated during the last cycle the Planning Committee used the cost allocation scenarios as robustness tests for the plan.
- Unless there were comments on the framework of applying the allocation scenarios, Amy Light suggested to put a hold on the discussion until there were scenarios chosen.

#### **Discussion: 2014-2015 Cost Allocation Metrics/Scenarios**

- At the end of the last cycle a list of lessons learned were put together to address some of the stumbling blocks the Cost Allocation Committee ran into. These were sent to the committee and some members had responded with their feedback.
- Lessons Learned:
  - How to define beneficiaries from both the planning and cost allocation side and to what level (e.g. NTTG, Balancing Authorities, transmission providers or residential customers).
    - NTTG had tried to define beneficiaries at the LSE level however with legal review and input it was decided that there was not enough sufficient data to assign down to that level and NTTG assigned benefits to the transmission provider level.
  - Is the comparison of the Change Cases to the Initial Regional Plan appropriate for defining project benefits and beneficiaries?
    - As NTTG started out the last planning cycle, the Initial Regional Plan was developed from the roll up of the transmission provider's local transmission plan. This cycle the Initial Regional Plan will have the addition of the prior Regional Transmission Plan projects as well as the transmission provider's local transmission plan which includes more transmission projects, both regional and interregional, than is necessary for the NTTG footprint's transmission needs.
    - John Leland explained the Initial Regional Plan is a starting point. During the Quarter 3 and 4 analysis the Technical Workgroup will have defined, if possible, a Draft Regional Transmission Plan that is more efficient and cost effective than the Initial Regional Plan. In Quarter 5 changes could be submitted that warrant additional study work subsequently modifying the Draft Regional Transmission Plan as this is what happened in the last cycle with an updated Draft Regional Transmission Plan in Quarter 6 followed by a Draft Final Regional Transmission Plan in Quarter 7.
    - The process in question is should NTTG compare the Draft Regional Transmission Plan from Quarter 6 to the Draft Plan in Quarter 4 which was more efficient and cost effective than the Initial Regional Plan.
      - Last cycle NTTG followed the Attachment K in making the comparison to the Initial Regional Plan, however it may make more sense to make the comparison to the Quarter 4 Draft Regional Transmission Plan. The reason for this is that in comparing back to the Initial Regional Plan there would be a lower set of capital costs which could create more benefits than in the Quarter 4 Draft Regional Transmission Plan.
    - Unless changes are made in the Attachment K, NTTG will need to continue to follow the same process as last cycle in comparing the Change Case to the Initial Regional Plan.
  - Are changes in capital costs still the correct metric?
    - John Leland indicated there is a mismatch in dollar magnitude between the three metrics, changes in capital costs versus changes in reserves and losses where the capital cost carries a larger weight.
  - Is the capping of benefits at no less than 50% and no more than 150% still the right approach?
    - In the last cycle the benefits varied slightly and the capping of benefit was quite large.
  - Should cost allocation for an unsponsored project follow the project?

- Last cycle NTTG came up with an unsponsored Alternative Project from the Quarter 3&4 analysis which was automatically considered for cost allocation as it was selected into the Draft Regional Transmission Plan. After going through the cost allocation, the benefits were less than the cost of the project and NTTG was not able to allocate all of the costs to the beneficiaries.
  - Had the Alternative Project been sponsored, according to the Attachment K the project sponsor would have the choice to accept the unallocated costs. Since there was not a sponsor to accept those costs the project was not eligible to receive cost allocation.
  - NTTG will have to follow the same process in the current cycle unless changes are made to the Attachment K.
- In preparation for discussing the cost allocation scenarios used in the 2014-2015 cycle, John Leland reviewed the language in the Attachment K relating to cost allocation scenarios with the committee.
  - The allocation scenarios are developed by the Cost Allocation Committee in consultation with the Planning Committee and with stakeholder input.
    - The reason for this is that the Planning Committee needs to determine if they can deliver on the allocation scenarios that are selected by the Cost Allocation Committee.
  - The allocation scenarios that are created by the Cost Allocation Committee will have the parameters that will likely affect the amount of total benefits of a project and their distribution among beneficiaries.
  - The purpose of the allocation scenarios is not to stress the system, but look for reasonable alternative scenarios that represent an alternative future. [taken from CAC meeting notes]
  - Last cycle the Cost Allocation Committee looked at the load, geographic locations and fuel prices.
    - If the committee chooses an allocation scenario that suggests more or less transmission than what the Planning Committee came up with in the Draft Regional Transmission Plan, should the allocation scenario transmission needs to be addressed in the planning assessment. Last cycle there was no variance in transmission topology which was why there was not a lot of variance in the allocation scenarios.
  - If there are any scenarios from transmission providers, other regions and the Western Interconnection that would be helpful in the allocation, the Cost Allocation Committee should look at and possibly consider those.
- In the last planning cycle the cost allocation scenarios were developed in Quarter 4 and not in Quarter 2 as required by the Attachment K.
- 2014-2015 Allocation Scenarios Review
  - Allocation scenarios 1 and 2 looked at adding and subtracting 1,000 MW to the load in the NTTG footprint for the high and low scenarios. The analysis included the actual 2012, actual 2013 and 2024 production cost model (PCM) load data and a weighted average percent to develop the distribution factors to apply to the plus or minus 1,000 MW change to apply to the TP's 2024 load. The analysis relied on the transmission provider's technical expertise to decide what load bus to add and remove the MW.
    - It was asked how the adding and subtracting of the 1,000 MW compared to what the utilities were using for their own high and low forecasting. John Leland indicated he looked at the Integrated Resource Plans of the utilities to get that information.
    - John Leland indicated that for the current cycle this could still be a valid measurement for the load allocation scenarios, however it is up to the Cost Allocation Committee to decide.

- Allocation scenario 3 looked at resource location and type which took 1,600 MW of wind (less the 3,000 MW wind project submitted by the Power Company of Wyoming) and cut the wind by 50% and replace it with solar.
  - This was strictly a solar replacing wind scenario with the solar being potentially located in different areas than the wind. The TP's where the wind was removed and where the solar was added was determined on a pro rata share based on 2024 forecasted wind and solar location. The exact bus location within the TP's footprint was left up to the expertise of the Technical Workgroup to decide where to locate the 800MW addition of solar which ended up being in different areas than the wind removed.
  - If the Cost Allocation Committee decides to continue thinking there is an opportunity for solar to become more popular, John Leland suggested this could be a good scenario to continue.
- To help with the discussion on allocation scenario 4 which dealt with coal replacement, John Leland presented TEPPC's coal retirement assumptions. In TEPPC's 2015 study plan the coal retirement assumed for 2024 was 6,418 MW for the Western Interconnection which included NTTG as well as areas outside NTTG's footprint. In an additional coal retirement for 2024, TEPPC explored at a high level what might happen if an additional 17,828 MW was retired.
  - While this is a very high level analysis for the 2024 timeframe, when looking at retiring projects each utility conducts technical analysis to make sure their system will have enough support for the outages and voltage.
  - Larry Nordell indicated that it is important to keep a balance portfolio and not ignore reliability and resource adequacy. When doing cost allocation, he would be leery of doing an allocation that could stick a beneficiary with cost responsibility for a project where the analysis ignored significant issues of stability and sufficiency.
    - John Leland indicated that the Technical Workgroup had discussions about possibly doing transient studies this planning cycle. It would not be a full study but a good set to make sure the system remains stable under outage conditions.
- Allocation scenario 4 included retiring 1,000 MW of coal and replacing it with the equivalent amount energy from solar and wind. The replacement of wind and solar was larger than the 1,000 MW of coal due to the fact that the energy of coal is higher.
  - When looking at this scenario for the current cycle, John Leland suggested adding gas plant to provide some of the energy and support of the transmission system.
- When developing the language for the selected allocation scenarios in the Study Plan, John Leland suggested the language allow for flexibility and transparency and possibly not list actual numbers of the assumptions. If there is a project that triggers a cost allocation, the committee can include the details of the analysis and explain how they came to that decision in the plan.

#### **Discussion: Initiate Discussion on the 2016-2017 Cost Allocation Scenarios**

- John Leland was asked to review last year's TEPPC studies. The completed studies included a high and low load of plus or minus 10% as well as coal retirement. TEPPC's draft 2016 Study Program also includes coal retirements, CO2 pricing as well as high renewable penetration.
  - John Leland indicated that stakeholders submit their cases along with information and their justification. After the case is approved, WECC staff will sit down with the individual sponsors in an open forum to get the actual numbers used in the studies.
    - Last year NTTG had the benefit of having the actual numbers used in the 2024 data, however at this time the 2026 data has not been developed for the current planning cycle.



- Last cycle the Cost Allocation Committee developed a document that had the allocations scenarios and a workbook was used for the analysis. A sanity check was done on the allocation scenarios to see if they made sense.
- John Leland indicated during the meeting of the planning and cost allocation leadership when discussing the allocation scenarios and coal retirement he suggested request information from the transmission providers in terms of 111-d and how much coal should be retired as a guide to help the Cost Allocation Committee understand how much to take off and from where.
- John Leland informed the committee he would send out the presentation from today's meeting for the committee to review and think through any potential questions or feedback.

#### **Discussion: Round Table/Other Business**

- Next Steps:
  - The intent for the April 29<sup>th</sup> NTTG Cost Allocation Committee meeting is to make a decision on which allocation scenarios will be included in the Study Plan. Amy Light asked members to review the slide deck John Leland presented and the proposed approach. Any concerns or changes to the approach should be sent the committee prior to the meeting so that members will have the chance to review and come prepared for the discussion.
  - The goal is to have the cost allocation scenarios incorporated into the Study Plan by May 5<sup>th</sup> followed by a Joint Planning and Cost Allocation Committee meeting on May 11<sup>th</sup> to approve the Study Plan.
- Elections of the Cost Allocation Committee Chair and Vice Chair will be conducted during the April 29<sup>th</sup> meeting. Shay LaBray withdrew her position on the committee and Amy Light has filled in as the Chair for the interim.
  - Amy Light indicated that she is willing to accept the nomination for the Cost Allocation Committee Chair.
  - Sharon Helms reached out the Courtney Waites with Idaho Power and she agreed to accept the nomination for Vice Chair.
  - Amy Light requested any additional Class 1 members who would like to be nominated for either the Chair or Vice Chair to send an email to herself and Sharon Helms.
- John Leland indicated that if any of the committee members had questions he would be available to call or via email.

### **3. Assignments:**

Item #	Assignment	Owner	Target Date	Status
1.				
2.				
3.				
4.				

**Next Meeting:** The next Northern Tier Cost Allocation Committee Meeting is scheduled for April 29th at 10am Pacific.

- Dial: **(626) 425-3121**
- Access Code: **432-608-245**



**Attendees:**

**NTTG Cost Allocation Committee Member Representatives**

<b>Membership Class 1</b>		
Jamie Austin, PacifiCorp	Amy Light, Portland General	Courtney Waites, Idaho Power
Marshall Empey, UAMPS	Kim McClafferty, NorthWestern	

**Membership Class 2**

Johanna Bell, Idaho PUC	Bob Decker, MT PSC	Marci Norby, WY PSC
Bob Davis, UT Div. PU (Proxy)	Belinda Kolb, WY OFC CA	Larry Nordell, MT CC

**Other NTTG Members & Guests**

Katie Kaplan, Exelon	John Leland, NTTG	Amy Wachsnicht, NTTG
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